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DAVID E. JANSSEN
Chief Administrative Officer

May 25, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

MARINA AFFORDABLE HOUSING POLICY OPTIONS ANALYSIS

Pursuant to your direction at the May 1, 2007 Board meeting, my office has worked with the Department of Beaches and Harbors and its economic consultants (Keyser Marston Associates and Allan D. Kotin & Associates), to prepare a financial analysis of the various affordable housing policy options for Marina del Rey.

Attached is a summary table (Table 1) which compares various affordable housing unit counts and the resulting financial impact for each option based on different inclusionary housing calculation methods, percentages, and affordability levels as shown in columns B through D. The table reflects estimates for the three parcels which are presently known to be impacted by the revised policy. The breakdown of affordable housing unit counts is shown in columns E through G and ranges from 48 very low (Option 1) to 189 moderate income units (Option 11). In addition, the 40 replacement units identified in column F is based on a tenant income survey conducted by the Community Development Commission (CDC) for Villa Venetia and Neptune Marina. An income survey for the Waterside Project is not required, as no residential units currently exist on the proposed site. The combined total of inclusionary and replacement affordable housing units to be developed is identified in column G and ranges from 88 and 229 income restricted units depending on the policy parameters selected.

The rent loss and land value loss to the County for each of the scenarios is shown in columns H through J and assumes the affordable housing covenant is for 30 years and the replacement units are developed as moderate income units only. The combined rent and land value loss to the County under these parameters ranges from $29.9 million (Option 1) to $70.1 million (Option 11) in present value dollars.

To the extent your Board requires replacement units be restored on a like-for-like basis per the results of the Community Development Commission tenant income survey (which identified replacement for (1) one bedroom very low income unit; (13) one bedroom and (7) two bedroom low income units; and (15) one bedroom and (4) two bedroom moderate income units), the County will see a decrease of $2,068,000 in present value revenue as identified in column L. Moreover, the revenue loss to the County for extending the affordable housing covenant from 30 years to the term of the lease is reflected in column M and ranges from $1.5 million to $4.2 million (Column M minus Column J). The total financial impact of combining like-for-like replacement with a term extension of the affordable housing covenant is shown in column N and ranges from $33.6 million (Option 1) to $76.3 million (Option 11) in present value dollars.

Although the County market rent is projected to be $132.3 million and general fund property taxes to the County is anticipated to increase by $39.6 million in present value dollars over the term of the lease as detailed in Table 2, significant rent concessions on the part of the County will be required to ensure the projects remain financially viable with development of affordable housing units on site. Such rent concessions are estimated to range from 23% to 58% of the total market rent to the County, as reflected in columns K and O, respectively.

The calculation of the rent concessions depends on a variety of financial assumptions and is the subject of negotiations that are currently underway. The estimates shown in the summary table reflect the best judgment of the County's economic consultants as to the specific impact of the affordable housing covenant. They do not consider other elements which the lessees represent warrant additional concessions (i.e. increase construction costs, uncertainty of condominium revenues, etc.). Therefore, it is important to note that these figures will fluctuate depending on the County rent concessions ultimately negotiated with the various developers on a project-by-project basis.

We look forward to discussing our financial analysis of the various Marina Policy Options at your June 12, 2007 Board meeting. In the meantime, feel free to call me if you have any questions or your staff may contact John Edmisten at (213) 974-7365.

DEJ:JSE
SHK:mc

Attachment

c: Executive Officer, Board of Supervisors
Beaches and Harbors
Community Development Commission
County Counsel
Regional Planning

TABLE 1: SUMMARY COMPARISON OF RESULTS FOR ALTERNATIVE FORMULATIONS OF COUNTY MELLO ACT AFFORDABLE HOUSING POLICY

Results shown for Parcels 10 (Legacy-Neptune), 64 (Lyon-Villa Venetia) and 33/NR (EMC Development Company)

Total Units	1,297
Less: Demolished Units	(360)
Net New Units	937
Total Units	1,297
Less: Replacement Units	(40)
Adjusted Total Units	1,257
County Rent at Market Rates through 2060	$132.3 Million (Present Value)
Estimated Development Cost	$663.2 Million

Total Units	1,005
Less: Replacement Units	(40)
Less: Demolished Units	(360)
Remaining Balance	605
Like-for-Like Impact	$2,068,000

		INCLUSIONARY UNIT TREATMENT			RESULTING UNIT COUNT			PV OF DOLLAR IMPACTS (Millions)				VARIATIONS ON TOTAL IMPACT			
Option	Description	Basis for Inclusionary	Percent Affordable	Inclusionary Affordability Level	Moderate Replace-ment	Affordable Inclusionary	Affordable Total	Rent Loss	Loss in Value	Total Impact ($)	Total as Pct of Market Rent	With Like-for-Like	With Covenant for Term	With Covenant and Like-for-Like	Total as Pct of Market Rent
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
1	Draft Policy-VL	Net New	5%	Very Low	40	48	88	$4.7	$25.2	$29.9	23%	$31.9	$31.4	$33.6	25%
2	Draft Policy-Low	Net New	10%	Low	40	94	134	$6.4	$41.2	$47.6	36%	$49.7	$50.3	$52.4	40%
3	AT-VL-5	Adj. Total	5%	Very Low	40	63	103	$5.7	$33.2	$38.9	29%	$41.0	$41.0	$43.0	33%
4	AT-VL-10	Adj. Total	10%	Very Low	40	125	165	$9.9	$61.2	$71.1	54%	$73.1	$74.8	$76.9	58%
5	AT-Low	Adj. Total	10%	Low	40	125	165	$9.4	$57.0	$66.4	50%	$68.4	$69.9	$71.8	54%
6	NN-Mod-VL	Net New	7%	Moderate	40	64	104	$4.2	$25.9	$30.0	23%	$32.1	$31.7	$33.7	26%
7	NN-Mod-Low	Net New	13%	Moderate	40	121	161	$6.7	$41.2	$47.9	36%	$50.0	$50.6	$52.6	40%
8	Varied Pct-VL	Net New	5%	Very Low	40	48	88								
		Rem.Bal.	5%	Moderate		30									
			Combined Result (a)		40	78	118	$7.8	$45.7	$53.5	40%	$55.6	$55.9	$57.9	44%
9	Varied Pct -Low	Net New	10%	Low	40	94	134								
		Rem.Bal.	5%	Moderate		30									
			Combined Result (a)		40	124	164	$8.1	$50.6	$58.7	44%	$60.8	$62.1	$64.2	49%
10	15% Mod - NN	Net New	15%	Moderate	40	141	181	$7.6	$45.9	$53.4	40%	$55.5	$56.7	$58.8	44%
11	15% Mod - AT	Adj. Total	15%	Moderate	40	189	229	$9.6	$60.5	$70.1	53%	$72.2	$74.3	$76.3	58%

(a) Differential allocations for Net New and Remaining Balance (Total - Net New - Replacement) with results shown for the combined total of resulting affordable units.

ABBREVIATION KEY: VL = Very Low NN = Net New AT = Adjusted Total

TABLE 2: MARINA DEL REY - GENERAL FUND PROPERTY TAX ANALYSIS

Est. General Fund Property Tax with Development (2010)	$ 2,354,000
Est. General Fund Property Tax w/o Development (2010)	$ 231,213
Net General Fund Annual Property Tax Increase Due to Development	**$ 2,122,787**
Net Present Value @ 6% through Lease Term (2060)*	**$39,626,000**

* Assumes a 2% annual increase in property taxes through the term of lease (2060).